Rough Course Schedule:
1. The Colonial World: 1607-1790
2. The “Market Revolution,” 1790-1830
3. The Civil War Era, 1830-65
4. Civil War, Reconstruction & The Gilded Age 1865 to 1900

Today’s Topics:
I. The Civil War: A Second American Revolution?
II. The Economic Consequences of Reconstruction, 1865-
III. The “Gilded Age” Economy, 1865-1900

Rough Course Schedule:
5. The Age of Reform & the Paradoxical 1920s
6. Modern Foundations, 1930-45
7. Postwar Contradictions, 1945-70
What the Civil War Wrought:

- Emancipation: ✔
- Union Military Victory: ✔
- Preservation of the Union: ✔
- Economic Transformation: ???
### Category: North, South

<table>
<thead>
<tr>
<th>Category</th>
<th>North</th>
<th>South</th>
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<tbody>
<tr>
<td>Cotton Yield</td>
<td>3%</td>
<td>97%</td>
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<tr>
<td>Exports</td>
<td>56%</td>
<td>44%</td>
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<tr>
<td>Specie Reserves</td>
<td>62%</td>
<td>38%</td>
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<tr>
<td>Farm Acreage</td>
<td>67%</td>
<td>33%</td>
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<tr>
<td>Grain Production</td>
<td>69%</td>
<td>31%</td>
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<tr>
<td>Population</td>
<td>71%</td>
<td>29%</td>
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<tr>
<td>Railroad Mileage</td>
<td>72%</td>
<td>28%</td>
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<tr>
<td>GNP</td>
<td>75%</td>
<td>25%</td>
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### Category: North, South

<table>
<thead>
<tr>
<th>Category</th>
<th>North</th>
<th>South</th>
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</thead>
<tbody>
<tr>
<td>Bank Capital</td>
<td>82%</td>
<td>18%</td>
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<tr>
<td>Merchant Ships</td>
<td>90%</td>
<td>10%</td>
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<tr>
<td>Factories</td>
<td>91%</td>
<td>9%</td>
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<tr>
<td>Manufacturing</td>
<td>92%</td>
<td>8%</td>
</tr>
<tr>
<td>Iron Production</td>
<td>94%</td>
<td>6%</td>
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<tr>
<td>Textile Production</td>
<td>94%</td>
<td>6%</td>
</tr>
<tr>
<td>Coal Production</td>
<td>97%</td>
<td>3%</td>
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</tbody>
</table>

“Only in your spirit and determination are you prepared for war. In all else you are totally unprepared.”

“You are rushing into war with one of the most powerful ... mechanical and determined people on earth--right at your doors. You are bound to fail.”
“The North can make a steam-engine, locomotive or railway car; hardly a yard of cloth or a pair of shoes can you make.”

“At first you will make headway, but as your limited resources begin to fail, and shut out from the markets of Europe by blockade as you will be, your cause will begin to wane.”

John Sherman
An Old Whig
1844-1854

Financing the War
Inherited an Atrophied Financial Regime:
No National Bank
No National Currency
No Means of Incurring Debt

No Means of Revenue:
Tariff Meager & Episodic
No Excise Taxes
Income Taxes Unheard Of

Lincoln’s Whig views on economic development, taxation, tariffs, currency

Henry Clay’s economic agenda: tariffs, internal improvements, banking, national currency, economic development
Confederate Vice President Alexander Stephens “Cornerstone Speech” (Slavery the chief reason for secession)

Of the 2.5 million enslaved people engaged in agriculture in 1860, 1.9 million (75%) toiled in cotton

Cotton the primary export: 75% of Southern trade in 1860

Confederate leaders believed cotton would give them a sufficient economic basis
Embargoing cotton would force Britain & France to intervene in the war.

1860-1866: Europe finds alternate sources of cotton in India, Egypt, Brazil.

Cotton Overproduction

Confederate Economic Strategy:
- No New Taxes!
- Print Money
- Float Bonds
Revenues (rounded):
Taxes: $100 million (5%)
Borrowing: $200 million (9%)
War Bonds: $500 million (23%)
Printing Money: $1.4 billion (64%)

Revenue Sources:
Export Duties on Cotton!
Decided to Embargo Cotton!

Enslaved workers loading cotton, Confederate $100 bill (1861)

Enslaved men & a wagon full of cotton
Pallas & Ceres sitting beside *cotton plants* and on *cotton bales*

The Whig Revolution Arrives, 1861-
- Republican for only 6 years (age 46-52)
- Whig for 21 years previously (age 25-46)
- Whig principles drove his presidency
- Deference to Congress

Lincoln expected Congress to present him with legislation implementing the long-thwarted Whig economic agenda
Peculiarities of the US Governmental Structure: Heavily Favored Agrarian, Southern, Rural Interests “Thumb on the Scale”

36th Cong.: 237 seats (majority 119)
Republicans: 116
Democrats: 98 (others 24)

Democratic Strength in the South
36th to 37th House:
- **36th Congress**: 238 seats; Majority: 120
- Republicans: 116
- Democrats: 98 (others 24)
- **37th Congress**: 183 seats; Majority: 92
- Republicans: 102
- Democrats: 45 (53 Dems departed)
- Others: 28
- Senate: R29-D30 early ‘61;
- Senate: R31-D11 late ‘61

Southern Democrats Departed
37th Congress, 1861-63:
- Revenue Act of 1861
- Confiscation Act of 1861
- Legal Tender Act of 1862

- Homestead Act, 1862
- Pacific Railway Act, 1862
- Abolition in DC, 1862
- Land Grant Colleges Act, 1862
• Militia Act of 1862 (African Americans in the services)
• National Banking Act, 1863

Lincoln relied upon Treasury Secretary Salmon P. Chase

- Shrewdly innovative:
- Greenbacks
- Progressive income tax
- Revenue collection
- Inheritance taxes
- Treasury bonds
- Central Banking

“Greenbacks”
The First United States Note: One Dollar
Featuring Salmon P. Chase
President Lincoln
First $10 Bill, 1862

Government printed greenbacks
& borrowed

National debt grew from $65 million in
1860 to $2.7 billion in 1865:

42 fold increase!
(only 5-fold increase in World War II)
• Revenue Act of 1861
• Personal income tax
• (3% of incomes over $800)
• Problems with collection

Revenue Act of 1862
3% on incomes above $600
5% on incomes above $10,000
Created Internal Revenue Com.
Rates raised again, 1864

National banks chartered by the federal government:
Subject to strict regulation;
higher capital requirements (10%)
Economic Warfare: General Benjamin Butler & the “Contraband” Concept

“Contrabands”
Emancipation Proclamation: Economic Warfare

Red: Where it would apply
Blue: Where it would not apply

A War Measure: Seizure of Property.
Reverberations Abroad.
Recruitment of Black Troops

Figure 12: National wealth in 1770-1810: Old vs. New world

- Other domestic capital
- Housing
- Slaves
- Agricultural Land

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<thead>
<tr>
<th></th>
<th>UK</th>
<th>France</th>
<th>US South</th>
<th>US North</th>
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<tbody>
<tr>
<td>% national income</td>
<td>800%</td>
<td>700%</td>
<td>600%</td>
<td>500%</td>
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<tr>
<td>800%</td>
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<tr>
<td>700%</td>
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<tr>
<td>600%</td>
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<tr>
<td>500%</td>
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</table>
Figure 4.10. Capital and slavery in the United States

The market value of slaves was about 1.5 years of U.S. national income around 1770 (as much as land).

Sources and series: see piketty.pse.ens.fr/capital21c.

Questions?

Reconstruction: A Revolution Abandoned
Constitutional Revolution, 1865-1870

- Thirteenth Amendment, 1865: ended slavery
- What about *de facto* slavery?

Constitutional Revolution, 1865-1870

- Fourteenth Amendment, 1868: Granted citizenship rights to former slaves (guaranteeing “equal protection under law”)
- (Compare to 18th Amendment)

Constitutional Revolution, 1865-1870

- Fifteenth Amendment, 1870
- Voting rights (prohibited the denial of voting rights on grounds of race, religion, or previous servitude)
- (Compare to 18th Amendment)
William A. Dunning

- The “Dunning School” (1900-30)
- Exaggerated the ills of “Carpetbaggers” & “Scalawags”

William A. Dunning

- Ignored white against black violence
- Celebrated KKK as chivalric heroes
- Hailed Andrew Johnson as a martyr
Accentuated “Moonlight and Magnolias” Romance

Debate over Reconstruction:
- Post-1945 neo-Abolitionists (or neo-Radical Republicans)
- Included black sources(!)
Debate over Reconstruction:

- Questioned “Moonlight and Magnolias” myths
- Took a harder look at white violence, particularly the brutality of the KKK
- Explored voter suppression

Debate over Reconstruction:

- Civil Rights Movement
- Pop Culture: Roots (1977); Twelve Years a Slave (2013)
- Consequences for Andrew Johnson, U.S. Grant

The Economic Consequences of Reconstruction
Sharecropping, Forced Labor “Contracts,” Black Codes

Factors of Production: LAND and LABOR

Held African Americans in a form of economic peonage

Economic Consequences: Regional Economic Backwardness
“Carpetbaggers”? “Scalawags”?
What about Economic Development?

“Carpetbaggers”? “Scalawags”?
What about Public Education?

Southern White Hostility to Education, Particularly for African Americans (Carpetbaggers? Scalawags?)

Grant & the Tragic Dilemma of Black Civil Rights
The U.S. Constitutional System: Almost Entirely Dependent of Good Faith, Following *Norms*

The U.S. Constitutional System: There are Few *Enforcement* Mechanisms of any Kind

The U.S. Constitutional System: Extremely Vulnerable to Bad Faith, Bad Actors, Ill-intent, Malevolence of any Kind

Historian Joan Waugh:

- For many years, Grant was contextualized by Southern resentment of civil rights for African Americans